

Thawalama Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thawalama Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position as at 31 December 2022, Statement of Financial Operations, Statement of changes in net assets, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the provisions of the National Audit Act No 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Thawalama Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally accepted Accounting Practices and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.

- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The amount of Rs. 1,876,954 incurred by the Sabha in the preceding year and the year under review for the construction and development of buildings had not been capitalized.	Will be rectified in the future.	Should be accounted correctly.
(b) The Thawalama weekly fair constructed by the Puranaguma Project for an amount of Rs. 15,725,494 and donated to the Sabha was not capitalized under land and buildings.	- do -	- do -
(c) The value of the tractor was over-capitalized by an amount of Rs. 10,000,000 in accounting for the vehicles belong to the Sabha.	Will be rectified in the future.	Should be accounted correctly.
(d) Debtor provisions had not been made for 02 construction works amounting to Rs. 1,043,753, for completed work which the provision had not been received at the end of the year under review.	- do -	- do -
(e) In accordance with the Southern Province Stamp Duty Reversal Charter No. 04 of 1994, the stamp duty over a period of 02 years was Rs. 1,709,618. The said stamp duty was accounted as stamp duty receivable.	- do -	- do -
(f) The court fines due at the end of the year under review had been overstated by an amount of Rs.3,146,465.	- do -	- do -

(g)	The billed Profession and Industry tax income was understated by an amount of Rs. 195,320 in the year under review.	- do -	- do -
(h)	A difference of Rs. 777,246 existed between the balance of the fixed asset account and the account balance of capital contribution by income at the end of the year under review, which should be equal according to the financial statements.	-do-	The respective account balances should be equal to each other.

1.6.2 Non reconciled control account or Records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 896,198 between the balances related to 04 accounting items shown in the financial statements as at 31 December of the year under review and the balances shown in the relevant utility registers.	Action will be taken to rectify in the future.	Action should be taken to compare differences and rectify.

1.7 Non-compliances

Non-compliance with Laws, Rules, Regulation and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below

Reference to Laws, Rules, Regulation and Management Decisions.	Non – Compliance	Comment of the Sabha	Recommendation
(a) The Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987	Attention had not been draw to the collection of Assessment Tax after identifying the Developed areas in the area of authority of the Sabha.	Expecting to identify the Developed areas and collect Assessment Tax	Action should be taken according to the Act.
(b) Rule 218 of the Pradeshiya Sabha (Finance and Administration) Rules, 1988	All the lands and buildings owned by the Sabha were not inspected and reported once a year.	A land and building survey will be conducted in the future.	Action should be taken according to the Rules.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs. 4,258,332 as against with the recurrent expenditure over revenue amounting to Rs. 1,720,910 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Source of Revenue (Rs)	2022				2021			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
Rates and Tax	613,199	463,328	680,492	301,668	528,679	845,394	914,602	518,832
Rent	2,465,000	1,572,140	1,563,333	252,157	3,167,000	228,910	23,560	243,350
License Fees	489,080	260,156	260,156	8,800	365,500	203,312	203,312	8,800
Other Income	16,351,864	12,304,353	12,304,353	6,000	1,482,000	6,840,570	6,840,570	6,000
	19,919,143	14,599,977	14,808,334	568,625	5,543,179	8,118,186	7,982,044	776,982

According to the information presented by the Sabha, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows.

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

Audit Observation	Comment of the Sabha	Recommendation
(a) The total outstanding income amounted to Rs. 776,982 as at 01 January of the year under review, and it was amounted to Rs. 568,625 at the end of the year under review.	Action will be taken to recover in the future.	Arrears of income should be collected.
(b) The court fines amounting to Rs.3,146,466 and stamp fees amounting to Rs.1,709,618 should have been received from the Chief Secretary of the Provincial Council on 31 December of the year under review.	The Chief Secretary has informed that there are no court fines and stamp fees due to the Sabha.	- do -

3. Operational Review
3.1 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) 02 vehicles belonging to the Sabha were parked in the Sabha premises without repair since 2014 and 2017. Action had not been taken to repair and utilize or dispose these vehicles as according to the Public Financial Circular No. 02/2015.	That due to insufficient funds in the Sabha fund, repairs could not be made.	Action should be taken to dispose or utilize after repair.
(b) On 09 May 2022, the cab of the Sabha was attacked and destroyed by a group of people while returning from Colombo for non-duty work. By the end of the year under review, the insurance compensation had not been received for this, and the necessary measures had not been taken after completing the F.R.104 investigation.	Notified that an inquiry should be made on a departmental level.	Action should be taken to recover the loss from the responsible parties after identification and Legal action should be taken.

3.2 Delay in projects, activities or capital works

Audit Observation	Comment of the Sabha	Recommendation
Although a solar power generation system valued at Rs.925,000 was installed in the Thawalama crematorium in 2022, the Sabha did not receive the dues for the electricity units produced by it.	The Electricity Board was informed several times about the receivable amount.	Action should be taken to recover the receivable amount.